

FISCAL IMPACT STATEMENT ON BILL NO. **S.1144**

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TO:	The Honorable Glenn McConnell, Chairman, Senate Judiciary Committee		
FROM:	Office of State Budget, Budget and Control Board		
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SUBJECT:	Truth in Spending Act		

ESTIMATED FISCAL IMPACT ON GENERAL FUND EXPENDITURES:

A Cost to the General Fund (See Below)

ESTIMATED FISCAL IMPACT ON FEDERAL & OTHER FUND EXPENDITURES:

A Cost of Federal and/or Other Funds (See Below)

BILL SUMMARY:

This Bill would amend the Code of Laws to provide that each agency, department, and institution of state government and each local government entity must maintain a detailed transaction register of all funds expended each month. Credit card statements for credit cards issued to public officials and employees for public use are also included. The Bill also requires the posting of certain information related to full time positions. Further, these agencies and entities must post such records online for public use.

EXPLANATION OF IMPACT:

This Bill's provisions would be applicable to all state agencies, and every local government including school districts and special purpose districts. However, for purposes of preparing a fiscal impact a cross-section sampling of agencies was conducted to determine the potential impact on each. Further study and analysis would need to be conducted to provide more precise and detailed estimates. The State is currently developing the South Carolina Enterprise Information System (SCEIS) for state agencies which is, in part, a new accounting and human resource data base system. However, the higher education institutions are not scheduled to participate in SCEIS. SCEIS is currently designed to parallel the level of detail for expenditures that is now available on the Comptroller Generals' system and not all of the data elements required by this Bill are currently within the scope of the SCEIS project.

State Budget and Control Board

A review of this Bill by the Board indicates that in order to detail the purpose of expenditures equates to two additional positions. The Board processed approximately 47,850 expenditure transactions including 14,000 transactions by credit card during FY 2006-07. At five additional minutes for each transaction almost four thousand additional hours of staff time would be required, which equates to more than two positions. The fiscal impact for two positions would be approximately \$110,000 including other operating expenses for supplies, materials and rent.

Section 1-11-1130(B) of the Bill requires that each state agency post on its internet website a report prescribed by Section 1-1-970 of the Code of Laws. Presently the Board does not post this information on the internet. The Board's Office of Human Resources, which receives each agency's organization structure chart by law, reports that some charts are not provided electronically and those provided electronically are not in a standard format. To provide all state agencies the software for a standard electronic chart application that also serves and utilizes other software programs would cost in the range of \$75,000 to \$150,000 to purchase with annual

maintenance of approximately \$7,500 to \$15,000. This estimate of cost applies only if an enterprise solution is selected but it does not include any cost to agencies, especially smaller ones that are not now providing electronic charts, would incur for hardware and staff training in the use of the software.

Employment Security Commission

The Commission reports it would have to modify its financial accounting, human resources, and credit card systems to collect and report the data required in this Bill. The Commission estimates recurring cost of \$136,026 for the salary and fringe benefits of three additional FTEs and \$60,394 for operating expenses. One-time cost is estimated to be \$344,218 and would cover modifications to the financial accounting system and the human resources system as well as building an online credit card system. Costs associated with hardware needed to place the information on the internet are also included.

Department of Social Services (DSS)

DSS indicates this Bill would require additional recurring General Funds of the State totaling \$505,563. Costs would cover salary and fringe benefits for Nine (9.0) FTE positions totaling \$392,563. These positions would be responsible for development and maintenance of the databases needed to maintain information on employees, credit card usage and expenditure transactions, maintaining databases related to listing all full time employees grouped by class and annual compensation, monthly statement for all credit card used by the agency for official use, expenditure database of all transactions. Other operating costs of \$113,000 would cover the cost of office space, leased computer equipment and office supplies.

Department of Transportation (SCDOT)

The Department indicates this Bill would require recurring costs of approximately \$87,000 per year and two additional FTEs. SCDOT estimates non-recurring costs of \$45,000 for equipment and programming.

Commission on Higher Education (CHE)

CHE estimates costs for the Commission would be approximately \$75,000 initially and \$22,000 thereafter. Cost could be less if the agency is able to integrate into or modify an existing system.

State Department of Education (SDE)

The Department estimates this Bill would likely have a significant fiscal impact to the agency and local school districts; however, the agency is unable to provide a specific cost estimate at this time. The agency cited several factors which would affect the costs including purchasing software, hardware, and data collection.

Department of Health and Human Services (DHHS)

DHHS indicates cost for implementing the requirements of this Bill would likely be those primarily associated with SCEIS development which may be able to provide the data required. However, this new system is not scheduled to be for implementation at DHHS until 2010. The Department reports its current accounting system is unable to meet the data requirements of this Bill. .

Department of Corrections

The Department anticipates implementation would require some resources and staff coordination to modify and/or expand existing reporting systems. However, the agency anticipates being able to perform the necessary tasks without the need to request additional resources.

Comptroller General's Office

The Office indicates this Bill would have no impact on the General Fund of the State or on Federal and/or Other Funds.

Higher Education Institutions

CHE surveyed the University of South Carolina, Medical University of South Carolina, University of Charleston, and the Technical Colleges through the State Board for Technical Comprehensive Education to obtain preliminary estimates of the impact on the institutions. Cost estimates for the four surveyed varied depending on the potential adaptability of their existing systems. Non-recurring development cost for the four institutions surveyed ranged from \$200,000 to \$2.5 million per institution (counting each technical college as a separate institution). Recurring costs thereafter ranged from \$25,000 to \$107,000 (counting each technical college as a separate institution).

LOCAL GOVERNMENT IMPACT:

The FIST network was surveyed to determine the impact on local governments. Twelve counties responded and indicated the Bill would cost from \$10,000 to \$396,500 annually, depending on the size of the county. Several counties indicated non-recurring costs for equipment, computer programming and computer storage would range from approximately \$60,000 to \$256,000. One large county responded that they average \$11 million per month in expenditures and this Bill would be difficult to implement both administratively and logistically. Five municipalities indicated a range of \$5,000 to \$40,000 in recurring costs and \$20,000 to \$40,000 in non-recurring costs.

Budget and Control Board – Local Government Responsibilities

Section 1-11-1140 of the Bill requires the Board to establish and maintain an internet website to contain the information required by this legislation for state agencies and local governmental entities that do not maintain their own website. The website must be organized so that the public can search the information and differentiate between state and local governmental agencies. The Board is allowed to require such state agencies and local governmental entities to transmit the information to the Board as the Board specifies.

Presently the Board, through an agreement with a private sector vendor, provides a portal or starting point where internet users may find and access the websites of state and local governments. The portal is provided at no cost to the state or local governments. In exchange for providing and maintaining the portal, the private vendor receives a fee from those who use the portal to procure government services or products. Under this agreement, the Board would experience a minimal fiscal impact if it is able to prescribe the manner of data transmission to be used by state agencies and local governmental entities that need to display their information through the portal. However, costs could be substantial for the Board or customers of the portal if the Board must assume a larger role on behalf of local governmental entities. According to the S.C. Municipal Association and the S.C. Association of Special Purpose Districts, there are approximately 135 municipalities with a population of 1,000 or less and more than 500 special purpose districts providing a range of services such as water, wastewater treatment, fire, gas, power, recreation, hospitals, transportation and zoos. Some of these local governmental entities do not have internet websites and may not keep the information as required or in an electronic, searchable database. These entities may need to purchase software, hardware and train employees or officials to use the software and transmit data. This cost, if any, is difficult to estimate based on the data now available.

Approved by:



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